

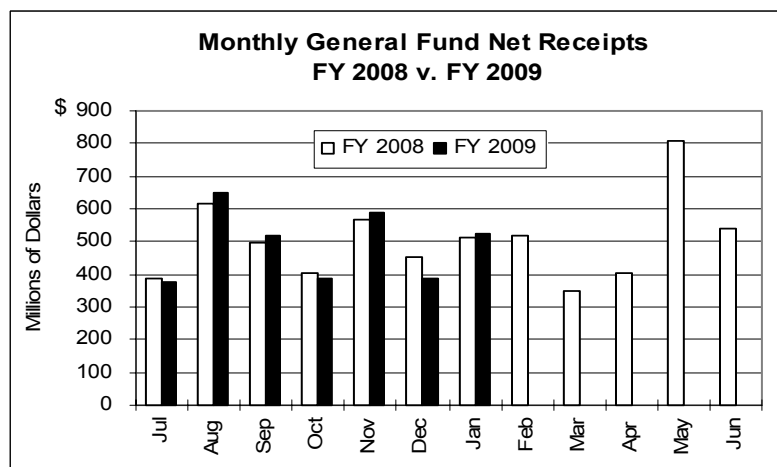
TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: February 2, 2009

## Monthly General Fund Receipts through January 31, 2009

The attached spreadsheet presents FY 2009 General Fund total net receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$5.991 billion set by the Revenue Estimating Conference (REC) on December 12, 2008. The FY 2009 estimate is a decrease of \$28.2 million (- 0.5%) compared to actual FY 2008 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



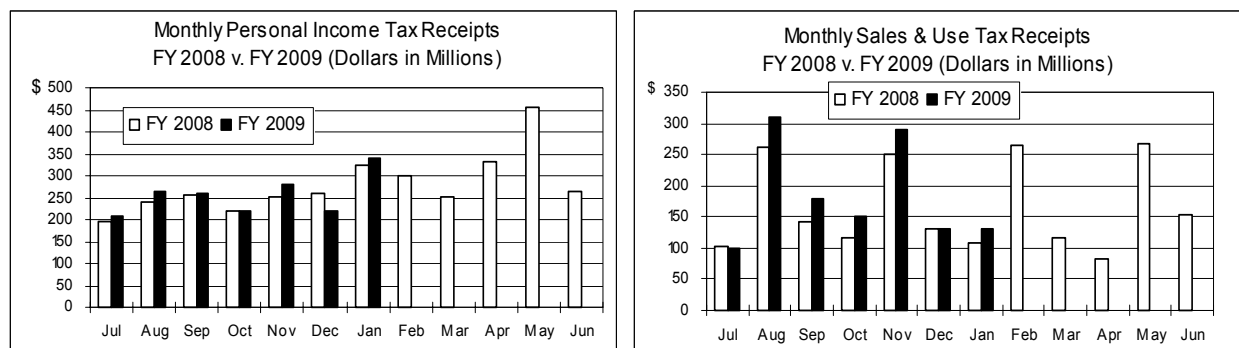
## FY 2009 Compared to FY 2008

Year-to-date FY 2009 total net receipts (excluding transfers) decreased \$16.7 million (- 0.5%) compared to FY 2008. Major sources and their contribution to the FY 2009 change include:

- Personal income tax (positive \$45.2 million, 2.6%)
- Sales/use tax (positive \$204.5 million, 18.4%)
- Corporate tax (negative \$20.6 million, - 8.2%)
- Other taxes (negative \$3.6 million, - 1.3%)
- Other receipts (negative \$0.3 million, - 0.1%)
- Tax refunds not including school infrastructure refunds (negative \$57.2 million, 29.2%)
- School infrastructure sales/use tax refunds (negative \$184.6 million)

**Personal Income Tax** revenues received in January totaled \$340.3 million, an increase of \$17.4 million (5.4%) compared to January 2008. Income tax estimate payments were influenced by a Department of Revenue systems upgrade issue that negatively impacted December receipts and positively impacted January. Without this boost, January income tax receipts growth would have been near zero.

The FY 2009 REC income tax estimate of \$3.424 billion represents a projected increase of 1.9% compared to actual FY 2008. Through January, total income tax receipts increased 2.6%. By subcategory, withholding payments increased \$47.2 million (3.3%), estimate payments decreased \$4.9 million (- 1.7%), and payments with returns increased \$2.9 million (5.3%). Of the \$47.2 million increase in withholding payment deposits year-to-date, approximately \$10.0 million is from State payroll and other fund accounts, with \$4.6 million of that amount representing growth in withholding from unemployment payments. The following chart compares FY 2009 monthly income tax receipts from the three personal income tax subcategories with FY 2008.



**Sales/Use Tax** receipts received in January totaled \$130.3 million, an increase of \$21.1 million (19.3%) compared to January 2008. The State sales/use tax rate was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August, sales/use gross tax receipts were no longer adjusted for SILO sales tax payments to school districts. This adjustment accounted for \$32.5 million of the increase in January.

The REC estimate for FY 2009 sales/use tax receipts is \$2.419 billion, an increase of 20.9% compared to actual FY 2008. Through January, total gross sales/use tax receipts have increased 18.4%. The preceding chart compares FY 2009 monthly sales/use tax receipts with FY 2008.

**Corporate Tax** receipts received in January totaled \$49.9 million, an increase of \$9.2 million (22.6%) compared to January 2008.

The REC estimate for FY 2009 corporate tax revenue is \$407.1 million, a decrease of 15.9% compared to actual FY 2008. Year-to-date total corporate tax revenue decreased 8.2%.

**Other tax receipts** received in January totaled \$29.7 million, a decrease of \$6.6 million (-18.2%) compared to January 2008. Inheritance and cigarette tax receipts accounted for \$5.9 million of the decrease for the month.

The REC estimate for other tax revenue is \$493.0 million, a decrease of 0.2% compared to actual FY 2008. Through January, other tax revenue has decreased 1.3%.

**Other receipts** (non-tax receipts) received in January totaled \$32.0 million, a decrease of \$4.8 million (- 13.0%) compared to January 2008. Miscellaneous receipts and interest revenue decreased 62.5% and 55.6% respectively, compared to last January.

The REC estimate for FY 2009 other receipts revenue is \$376.2 million, a decrease of 1.2% compared to actual FY 2008. Year-to-date total other receipts have decreased 0.1%.

**Tax Refunds** issued in January totaled \$26.7 million, a decrease of \$3.4 million (-11.3%) compared to January 2008. Beginning in August, 2008, school infrastructure sales tax payment adjustments are posted as tax refunds. For January, school infrastructure refunds totaled \$32.5 million.

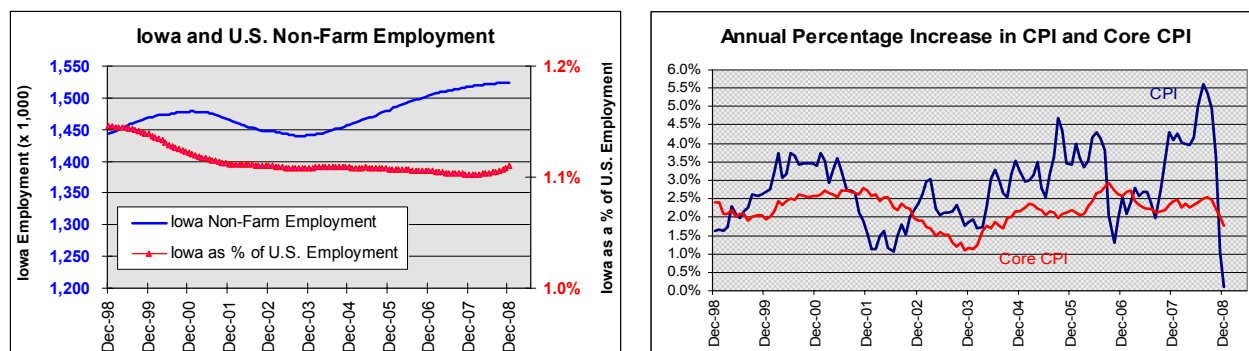
Year-to-date tax refunds issued total \$253.4 million, \$57.2 million (29.2%) above the amount through January of last year. In addition, school infrastructure refunds totaled \$184.6 million through January.

## Status of the Economy

Iowa non-farm employment was reported at 1,526,900 for the month of December (not seasonally adjusted), 7,300 lower (- 0.5%) than December 2007. This is the first negative growth month since September 2003.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,523,200 so annualized Iowa non-farm employment is 44,500 above its 2001 peak and 83,300 above the 2003 low.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The percentage has increased slightly the past twelve months and is now at its highest level since January 2003.



Consumer prices decreased 1.0% during December (not seasonally adjusted). The Consumer Price Index (CPI-U) through December 2008 was 210.2 (1983/84=100). After three consecutive months over 5.0%, annual inflation has now decreased for four months and the year-over-year change is now 0.1%, its lowest level in decades.

Core CPI, an inflation measure excluding food and energy prices, decreased in December and stands at 1.8%, year-over-year. The core inflation rate declined considerably from the early 1990s through March 2004 and had not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices decreased 9.9% in December and currently stand at negative 21.3% in the year-over-year comparison while food prices are up 5.8% year-over-year, marking the 9<sup>th</sup> consecutive month the figure has been at or above 5.0%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through January 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	January % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 1,751.1	\$ 1,796.3	2.6%	5.4%	\$ 3,359.7	\$ 3,424.4	1.9%
Sales/Use Tax	1,113.3	1,317.8	18.4%	19.3%	2,000.2	2,418.8	20.9%
Corporate Income Tax	251.4	230.8	-8.2%	22.6%	483.8	407.1	-15.9%
Inheritance Tax	46.3	48.8	5.4%	-30.9%	78.4	83.9	7.0%
Insurance Premium Tax	53.1	49.7	-6.4%	-33.3%	111.7	115.6	3.5%
Cigarette Tax	135.5	133.4	-1.5%	-15.1%	229.5	224.0	-2.4%
Tobacco Tax	12.6	13.9	10.3%	4.8%	21.2	21.8	2.8%
Beer Tax	8.9	9.0	1.1%	0.0%	14.5	14.5	0.0%
Franchise Tax	19.3	17.5	-9.3%	-6.2%	37.6	32.2	-14.4%
Miscellaneous Tax	0.6	0.4	-33.3%	-250.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 3,392.1	\$ 3,617.8	6.7%	8.1%	\$ 6,337.5	\$ 6,743.3	6.4%
Institutional Payments	8.2	8.0	-2.4%	0.0%	14.9	13.5	-9.4%
Liquor Profits	40.4	48.6	20.3%	0.0%	72.4	81.6	12.7%
Interest	19.2	11.1	-42.2%	-55.6%	25.3	16.5	-34.8%
Fees	47.8	45.5	-4.8%	-18.3%	82.1	71.3	-13.2%
Judicial Revenue	46.8	49.0	4.7%	83.7%	90.0	95.0	5.6%
Miscellaneous Receipts	23.3	23.2	-0.4%	-62.5%	36.1	38.3	6.1%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,637.9	\$ 3,863.0	6.2%	6.7%	\$ 6,718.3	\$ 7,119.5	6.0%
Accrued Revenue-Net					-24.0	14.9	
Tax Refunds *	-196.2	-253.4	29.2%	-11.3%	-674.8	-755.0	11.9%
School Infrast. Refunds *	0.0	-184.6			0.0	-388.1	
TOTAL NET RECEIPTS	\$ 3,441.7	\$ 3,425.0	-0.5%	1.4%	\$ 6,019.5	\$ 5,991.3	-0.5%
* For FY 2008 and FY 2009 Year-to-Date, refunds are listed on a cash basis. For FY 2008 Actual and FY 2009 Estimate, refunds are listed on a fiscal year basis.							